

Preventing Deforestation

The world's forests are under increasing pressure, losing their ability to serve as carbon sinks and habitats. Palm oil plantations drive deforestation in some of the most valuable and vulnerable forests around the planet. In the past few years, environmental campaigners protesting this deforestation are being arrested and killed in record numbers. So far in 2017, according to the non-governmental organization (NGO) Global Witness, over 150 environmental defenders have been killed, putting the year on track to be the deadliest on record. Domini has been engaging with major companies to ensure that their palm oil sourcing does not contribute to the destruction of rainforests and violations of human rights.

We often depend on informed NGOs to help us understand conditions on the ground. Recently, Friends of the Earth and Rainforest Action Network brought a particularly disturbing case to our attention. According to the NGOs, human rights defenders have been killed and kidnapped and large areas polluted by Reforestadora de Palma S.A. (REPSA), a palm oil company in Guatemala. We shared a joint-NGO letter about the case with several companies that may have sourced palm oil from this region, including **Pepsi**, **Kraft Heinz** and **Unilever**, asking that they adopt a policy to not buy from REPSA, and request an intervention by the UN High Commission on Human Rights and the Guatemalan Human Rights Ombudsman.

Domini led a meeting with **Kraft Heinz** to discuss its newly updated palm oil policy and its approach to other key commodities contributing to deforestation, following up on our shareholder proposal. We also had several meetings with **Pepsi** during the quarter. In 2014, we helped convince Pepsi to adopt policies addressing its palm oil purchases and its impact on forests. This quarter, we discussed Pepsi's implementation of its palm oil commitments, with a focus on controversies in Indonesia and Guatemala. Our conversations also covered water management, human rights and pesticides. Last year, we joined other investors in a shareholder proposal to Pepsi seeking greater information about its management of pesticide use throughout its global agricultural supply chain. We believe we are making progress, and that Pepsi recognizes the need to improve their disclosures around pesticides and other sustainability issues.

Persecution of Rohingya Muslims in Myanmar

The Muslim Rohingya minority in Myanmar is facing escalating violence that UN officials have called, "a textbook example of ethnic cleansing." The Burmese military is deliberately driving Rohingya communities out of the country. This minority has long been subjected to prejudice and abuses in the Buddhist-majority country, including denial of citizenship. However, recent campaigns have escalated to include mass killings, rapes, and destruction of villages. Since August, over half a million people have fled to squalid refugee camps in Bangladesh and may not be able to return to their homes. An estimated sixty percent of the refugees are unaccompanied children. Domini called attention to the plight of the Rohingya in an issue paper earlier this year (see *Human Rights and Democratic Reform in Burma*, at domini.com).

We reached out to several companies doing business in Myanmar, including **Coca-Cola** and **Unilever**, and had a broader discussion with Coca-Cola about its approach to human rights. In a crisis, the Internet and mobile phones can serve as critical lifelines, as well as platforms to tell stories that certain governments would prefer remain untold. Domini is a founding board member of the Global Network Initiative (GNI), a multi-stakeholder human rights organization dedicated to addressing threats to freedom of expression and privacy in the digital sphere. We participated in a GNI call with **Facebook** and **Telenor**, two members of the organization, to discuss their response to the crisis, including allegations in the press that Facebook has censored certain pro-Rohingya posts. These conversations will continue.

Climate Change Mitigation

Businesses currently account for approximately half of the world's electricity consumption. With that in mind, Domini joined two initiatives led by ShareAction, a London-based charity focused on driving responsible investment practices, in conjunction with CDP and the Climate Group. The first, the RE100, seeks to convince companies to commit to 100% renewable energy use. To date, 112 companies have made the commitment. The second, the EP100, seeks to improve corporate energy productivity. The EP100 sent an initial batch of letters to eleven companies on behalf of 51 investors, challenging them to double their energy productivity in the next 25 years. Companies receiving the letter included: **3M**, **BMW**, **Colgate-Palmolive**, **Ford***, **Heineken***, **JLL**, **Kingfisher**, **Kohl's**, **Novartis***, **Roche*** and **Whole Foods**. We also signed an investor letter to **sixty banks**, asking for disclosures consistent with the recommendations of the Financial Stability Board's Taskforce on Climate Related Financial Disclosures.

Additional Engagements

In addition to those discussed in this report, we also undertook the following engagements during the quarter:

Coach: Supply chain worker recruitment practices; Pollution and Human Rights Issues Related to Leather Tanneries in Bangladesh

IBM: Supply chain worker recruitment practices

Citigroup*: Indigenous Peoples Rights

UPS: Renewable Energy Goals

Chipotle, Gap: Sustainability Reporting

B Team: We are working with a global group of companies on a set of responsible tax practices.

Financing the Sustainable Development Goals

In 2015, the United Nations announced its new global sustainability agenda, in the form of seventeen Sustainable Development Goals (SDGs). Each goal is accompanied by a set of targets. We believe that it is critical for the private sector, including corporations, investors and consumers, to play an active role in promoting the SDGs and delivering on their ambitious targets.

During the quarter, we participated in a United Nations Business Forum on the Sustainable Development Goals, a full day gathering along with several hundred representatives from governments, UN Agencies and businesses from around the world. We were also pleased to participate in a small workshop hosted by **BNP Paribas** and the **World Bank** to discuss financing the SDGs, and to discuss our approach. We stressed the application of the SDGs to all asset classes and industries, and the need to take a holistic approach.

Public Policy

Domini continues to work with other investors to address recent threats to our ability to submit shareholder proposals to corporations. We worked with our colleagues at Walden Asset Management and Pax World Management on an open letter to the Business Roundtable, a leading organization of CEOs that has been leading the charge to “reform” the shareholder proposal process. Our letter outlined the key benefits shareholder proposals bring to corporations and society, highlighting shareholder proposal-driven advances on climate change, diversity and corporate governance. We also met with the Securities and Exchange Commission’s new Director of Corporate Finance to discuss the importance of shareholder proposals as well as our need for disclosure of sustainability risks in corporate securities filings. The Human Capital Management Coalition, an investor coalition that includes Domini, submitted a petition to the SEC, seeking new rules to require corporations to disclose better data on a range of employee relations issues.

We also signed a Ceres letter asking the EPA to maintain strong vehicle emissions standards, a follow-up to a letter we signed earlier in the year. The letter had a total of 38 investor signatories, with over \$856 billion in assets under management.

About Domini Impact Investments

Domini Impact Investments manages mutual funds for individual and institutional investors who wish to create positive change in society by integrating social and environmental standards into their investment decisions.

Visit www.domini.com or call 1-800-582-6757 to learn more.

As of 9/30/17, these companies represented the following percentages of each Fund’s portfolio: Domini Impact Equity Fund: 3M (<0.01%), Coach (0.10%), Chipotle (0.40%), Coca-Cola (<0.01%), Colgate-Palmolive (1.80%), Facebook (1.20%), Gap (<0.01%), IBM (2.50%), Kraft Heinz (<0.01%), Kohl’s (<0.01%), Pepsi (2.70%), UPS (<0.01%). Domini Impact International Equity Fund: BMW (1.10%), BNP Paribas (0.30%), Unilever (2.30%). The following companies were not held by any of the Domini Funds as of 9/30/17: Citigroup, Ford, Heineken, JLL, Kingfisher, Novartis, Roche, Telenor, Whole Foods.

The composition of each Fund’s portfolio is subject to change. Visit www.domini.com for a complete description of each Fund’s portfolio.

An investment in the Domini Funds is subject to market, sector concentration, foreign investing and style risks. You may lose money. Investing internationally involves special risks, such as currency fluctuations, social and economic instability, differing securities regulations and accounting standards, limited public information, possible changes in taxation, and periods of illiquidity. The Domini Impact Bond Fund is subject to market risks, including interest rate and credit risks. During periods of rising interest rates, bond funds can lose value. The Domini Impact Bond Fund currently holds a large percentage of its portfolio in mortgage-backed securities. During periods of falling interest rates, mortgage-backed securities may prepay the principal due, which may lower the Fund’s return by causing it to reinvest at lower interest rates. Some of the Domini Impact Bond Fund’s community development investments may be unrated and carry greater credit risks than its other investments.

The Domini Funds maintain portfolio holdings disclosure policies that govern the timing and circumstances of disclosure to shareholders and third parties of information regarding the portfolio investments held by the Funds.

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